

Minutes of the
Board of Minerals and Environment Meeting
Matthew Environmental Education and Training Center
523 East Capitol
Pierre, South Dakota

10:00 a.m. CDT
April 15, 2004

CALL TO ORDER AND ROLL CALL: Chairman Richard C. Sweetman called the meeting to order. Secretary Kathy Johnson noted that a quorum was present.

BOARD MEMBERS PRESENT: Richard Sweetman, Lee McCahren, Kathy Johnson, Wilbert Blumhardt, Chuck Monson, Linda Hilde, and Mike DeMersseman.

BOARD MEMBERS ABSENT: Pat Healy and Brian Radke.

OTHERS: See attached attendance sheet.

APPROVAL OF MINUTES FROM JANUARY 15, 2004, MEETING: Motion by Blumhardt, seconded by McCahren, to approve the minutes from the January 15, 2004, Board of Minerals and Environment meeting as mailed. Motion carried.

SURFACE MINING ISSUES: Eric Holm was administered the oath by Mike DeMersseman and testified regarding releases of surety and liability, transfers of liability and release of surety (see attached matrix sheet).

Release of Surety: Motion by DeMersseman, seconded by Hilde, to release \$20,000 for Spearfish Excavating, Inc., Spearfish, SD, Mine License No. 96-576. Motion carried.

Release of Liability and Surety: Motion by DeMersseman, seconded by Monson, to release liability and \$1,500 for Johnson Brothers Excavation, Madison, SD, Mine License No. 03-760, one site in Lake County. Motion carried.

Transfer of Liability and Release of Surety: Motion by DeMersseman, seconded by Hilde, to release \$500 and transfer liability for one site in Codington County from Joel Koustrup, Watertown, SD, Mine License No. 94-524 to Stromseth Construction, Watertown, SD, Mine License No. 90-414; and release \$3,000 and transfer liability for one site in Lyman County from Perry Construction Company, Presho, SD, Mine License No. 00-708 to Lyman County Highway Department, Kennebec, SD, Mine License No. 83-215. Motion carried.

Transfer Liability: Motion by Blumhardt, seconded by Johnson, to transfer liability of the NW1/4 SE1/4, except the North 208.7' of the West 208.7' of the East 712.7' thereof, NE1/4 SW1/4 Section 16, T101N-R50W, Minnehaha County from Concrete Materials, Sioux Falls, SD,

Mine License No. 83-144 to Crusher Investment Company, Sioux Falls, SD, Mine License No. 83-24. Motion carried.

Transfer of Liability: Motion by Hilde, seconded by DeMersseman, to transfer liability from Leisinger Construction, Sioux Falls, SD, Mine License No. 98-635, one site in Minnehaha County to Runge Enterprises, Inc., Sioux Falls, SD, Mine License No. 93-506; transfer liability from Quinn Construction, Inc., Rapid City, SD, Mine License No. 95-535, one site in Fall River County to Croell Redi-Mix, Inc., Sundance, WY, Mine License No. 96-604; transfer liability from Eugene Rumpza, Webster, SD, Mine License No. 02-745, one site in Day County to Webster Scale, Inc., Webster, SD, Mine License No. 03-766; and transfer liability from Marvin VanderPol, Mitchell, SD, Mine License No. 83-59, one site in Hanson County to James P. Wenande Trucking, Alexandria, SD, Mine License No. 93-507. Motion carried.

Releases of Liability: Motion by Johnson, seconded by Hilde, to release liability for C & W Enterprises, Inc., Sioux Falls, SD, Mine License No. 98-671, one site in Day County; release liability for Hills Materials Company, Rapid City, SD, Mine License No. 83-42, one site in Fall River County; release liability for Jennings Construction Company, Bancroft, SD, Mine License No. 83-192, one site in Clark County and one site in Kingsbury County; release liability for Stava Gravel, Clear Lake, SD, Mine License No. 83-185, one site in Deuel County; release liability for Marvin VanderPol, Mitchell, SD, Mine License No. 83-59, one site in Hanson County and one site in Davison County; release liability for Aurora County Highway Department, Plankinton, SD, Mine License No. 83-87, one site in Aurora County; and release liability for Davison County Highway Department, Mitchell, SD, Mine License No. 83-32, two sites in Davison County. Motion carried.

PUBLIC HEARING TO CONSIDER ADOPTION OF OIL AND GAS CONSERVATION RULES: Chairman Sweetman opened the hearing at 10:35 a.m. CDT.

The purpose of the hearing was to consider adoption of a new chapter of rules (Chapter 74:10:18) to be added to Article 74:10, Oil and Gas Conservation.

Fred Steece, Oil and Gas Supervisor, DENR, stated that proposed rules 74:10:18:01 through 74:10:18:03 apply to risk compensation in compulsory pooling cases. Pooling is the process of combining separately owned tracts of land or separately owned interests in a spacing unit for the purpose of developing the oil and gas underlying those tracts.

If the owners cannot come to a voluntary pooling agreement, the owner who wants to drill a well may apply to the Board of Minerals and Environment for an order that forces the pooling of all interests in the spacing unit for the purpose of developing the oil and gas resource.

Proposed rules 74:10:18:04 through 74:10:18:06 apply to risk compensation in compulsory unitization cases. Unitization is the process of combining separately owned tracts of land or separately owned interests overlying a pool or pools within an oil or gas field after the primary phase of production is over. Unitization implies that the primary phase of production has been matured and the area is ready for enhanced recovery.

An operator may apply to the board for an order authorizing unit operations. Once the area is unitized, it is operated pursuant to a unit agreement and a unit operating agreement, which establishes the relationships between the owners, including the allocation of production costs and the treatment of nonparticipating parties.

Risk compensation is paid to the party who takes on the financial risk of drilling a well or operating a unit. In addition to actual prorated expenses, risk compensation is paid by leaseholders or mineral owners that elect not to participate in the cost of drilling and operating a well or conducting unit operations. Risk compensation is paid only out of production, exclusive of royalties. Nonparticipating parties do not incur any out-of-pocket expenses.

Mr. Steece provided a PowerPoint presentation summarizing each section of the proposed rules as follows:

74:10:18:01. Risk compensation in a compulsory pooling order.

This proposed rule allows an applicant for a forced pooling order to request provisions for risk compensation to be paid by nonparticipating owners. The applicant must demonstrate that a good-faith effort was made to allow participation. The applicant must notify nonparticipating owners that risk compensation is being requested.

74:10:18:02. Compulsory pooling -- Risk compensation where ownership interest is derived from a lease or other contract for development.

The proposed rule sets the risk compensation percentage for nonparticipating mineral leaseholders at 200% of actual prorated costs of drilling and operating a well. Risk compensation may be recovered only out of production, exclusive of royalties, so there are no out-of-pocket expenses.

74:10:18:03. Compulsory pooling -- Risk compensation where ownership interest is not subject to a lease or other contract for development.

This proposed rule sets the risk compensation percentage for nonparticipating mineral owners at 100% of actual prorated costs of drilling and operating a well. Risk compensation may be recovered only out of production, exclusive of a 1/8 royalty, so there are no out-of-pocket expenses.

74:10:18:04. Risk compensation in a compulsory unitization order.

The proposed rule allows the applicant for a compulsory unitization order to request provisions for risk compensation to be paid by nonparticipating owners. The applicant must demonstrate that a good-faith effort was made to allow participation. The applicant must notify nonparticipating owners that risk compensation is being requested.

74:10:18:05. Compulsory unitization - Risk compensation where ownership interest is derived from a lease or other contract for development.

This proposed rule sets the risk compensation percentage for nonparticipating mineral leaseholders at 200% of the reasonable actual costs of unit operations. Risk compensation may be recovered only out of production, exclusive of royalties, so there are no out-of-pocket expenses.

74:10:18:06. Compulsory unitization - Risk compensation where ownership interest is not subject to a lease or other contract for development.

The proposed rule sets the risk compensation percentage for nonparticipating mineral owners at 100% of the reasonable actual costs of unit operations. Risk compensation may be recovered only out of production, exclusive of a 1/8 royalty, so there are no out-of-pocket expenses.

Mr. Steece stated that the reason for adopting the proposed rules is to encourage oil and gas exploration, production and development in South Dakota in accordance with Governor Rounds' 2010 Initiative. This change will make South Dakota's risk compensation percentages comparable to North Dakota's. Operators on both sides of the state line will have a better chance to negotiate unit agreements with minerals owners. This also makes it easier to form units. More units will be formed and more oil will be recovered that otherwise would be left in the ground.

Mr. Steece stated that South Dakota Law (SDCL 45-9-33) currently authorizes the imposition of risk compensation in compulsory pooling or unitization cases. In a 1978 compulsory pooling case, the South Dakota Supreme Court ruled that the current compulsory pooling statutes authorize risk compensation. The percentage of the risk compensation is not specified in current law.

Mr. Steece noted that there is no case law that addresses risk compensation related to unitization. However, the language on cost sharing and financing in the unitization section of law is similar to that of the compulsory pooling statute.

Mr. Steece stated that a fixed risk compensation percentage should be set for all compulsory pooling and unitization cases. The minimum risk compensation in the oil and gas industry has been 200% for the past 20 years or more. Virtually all joint operating agreements provide for at least 200% non-consent risk compensation on drilling subsequent wells, which are the second wells on the lands covered by the agreement. Fixed risk compensation provides certainty for both the operator and the non-operator.

Mr. Steece said with the addition of these rules, the operator knows from the beginning what his options are, instead of having to wait until a long, potentially expensive and drawn out hearing process to learn that the risk compensation allowed won't meet the economic criteria necessary to drill the well. A non-operator also has the opportunity to decide whether or not to participate knowing what risk compensation will apply if a decision is made not to participate. Establishing a fixed risk compensation by rule will reduce the time and cost of hearings for all parties, including the Board of Minerals and Environment.

Mr. Steece stated that a nonparticipating party's total cost is equal to the risk compensation plus the party's prorated share of the actual cost of drilling and completing a well or conducting unit operations. For example, the proposed rules authorize 200% risk compensation for a nonparticipating leaseholder. This person's cost is 200% of his prorated share plus 100% recovery of the actual cost of drilling and operating a well. So the person's total cost is 300% of his prorated share of the actual cost. However, costs for a nonparticipating owner can only come

out of production, exclusive of royalties. There are no out-of-pocket expenses if the well or unit is unsuccessful.

Chairman Sweetman asked what it means by "costs for a nonparticipating owner can only come out of production, exclusive of royalties." Mr. Steece answered that in situations where minerals are leased, the risk compensation is 200% only out of production from the unit, but the mineral owner is entitled to 1/8 of the oil produced. In the case of a mineral owner that has not leased, the risk compensation is 100% of the owner's share, except for the 1/8 royalty.

Mr. Steece stated that most other states do not differentiate between working interest owners and minerals owners. Risk compensation percentages in other states ranges from 50% for the minerals owner in North Dakota to 300% in Arkansas.

Chairman Sweetman asked for an example of what a landowner getting his 1/8 royalty pays and how "exclusive of royalty" applies, if the only thing he's getting is 1/8 royalty and he is only paying out of production.

Bob Townsend stated that in the case of a leased mineral owner, the person that holds the lease is responsible for paying risk compensation, not the mineral owner. In the case of an unleased mineral owner who owns 100% of his minerals, if he elects to participate in the cost of drilling, he would get eight barrels out of eight barrels produced. But if he elects not to participate, he only gets one out of eight barrels produced until the risk compensation plus costs are paid off. Mr. Townsend said these rules really don't apply to the leased mineral owner.

Mr. McCahren asked if the working interest who is not participating is paying the royalty owner.

Mr. Townsend said it's really up to the working interest owner that is not participating to pay the mineral owner the 1/8 royalty. That is why the proposed rule is exclusive of the 1/8 royalty; the working interest owner pays that to the mineral owner. The 100% rule applies to the mineral owner who hasn't leased any of his minerals and is not participating. He owns 100% of the minerals and gets to keep 1/8 of his share of production as royalty. The 100% risk compensation plus costs is paid out of his remaining share of production until the costs are paid off. Once these costs are paid off, then he gets his full share of production.

Ms. Hilde asked what the difference is between a participant and a nonparticipant. Mr. Townsend answered that a participant would actually agree to share in the costs. The rules really apply to people that don't want to share in the costs, they want to be carried by the people that want to drill.

Regarding the 200% risk compensation requirement for the leased mineral owners, Ms. Johnson asked if it is possible for the working interests to recover more than the actual costs. Bob Townsend said they recover costs plus 200% in the case of a leaseholder. In the case of a mineral owner, they would recover costs plus 100%.

Responding to a question from Mary Jo Joens, School and Public Lands, Mr. Townsend stated that the only case where these rules would apply to School and Public Lands is if they did not

lease. After further discussion it was determined that, in nearly all cases, School and Public Lands would have entered into a lease and the rules would not apply.

Mr. Steece stated that notice of the public hearing was published on March 10, 2004, in the Pierre Daily Capital Journal, the Nation's Center News, the Black Hills Pioneer, the Rapid City Journal, and the Edgemont Herald Tribune. Affidavits of Publication are on file in the Department of Environment and Natural Resources, Rapid City Office. Notice of the hearing was also sent to persons on the department's interested parties mailing list.

The Legislative Research Council (LRC) reviewed and approved the rules for legality, style and form.

Chairman Sweetman requested public comments on the proposed rules.

The following provided public comments in support of the proposed rules: Richard George, Luff Exploration Company; John Morrison, North Dakota Petroleum Council, and Luff Exploration Company; Steve Willard, American Petroleum Institute; and Max Main, attorney from Belle Fourche.

No one provided public comments in opposition to the proposed rules.

Written comments on the proposed rules were submitted by Kenneth Luff, Luff Exploration Company; Robert Harms, Northern Alliance of Independent Producers; Donald Kessler, Murex Petroleum Corporation; James Bowers, Bowers Oil & Gas, Inc.; and Ron Ness, North Dakota Petroleum Council.

Mr. Townsend pointed out changes the staff proposed in response to written comments the department received.

Motion by McCahren, seconded by Johnson, to adopt ARSD 74:10:18:01, 74:10:18:02, 74:10:18:03, 74:10:18:04, 74:10:18:05 and 74:10:18:06, as presented including changes suggested by the staff. Motion carried.

Chairman Sweetman thanked the participants and declared the hearing closed.

50TH ANNIVERSARY OF OIL PRODUCTION IN SOUTH DAKOTA: Mack McGillivray, DENR Oil and Gas Program, reported that January 14, 2004, marked the 50th anniversary of oil production in South Dakota. The 34-9 State well near Buffalo was drilled by Shell Oil in October 1953, and began producing oil on January 14, 1954. The well has produced 341,169 barrels of oil. Mr. McGillivray provided a graph showing oil production for the 34-9 State well from 1954 to 2003.

Mr. McGillivray stated that DENR plans to make oil and gas data available over the Internet. The department's web site already contains several types of digitized information that can help the industry make decisions on where to explore for oil and gas in the state. The web site also contains information about core that is available for inspection in the Geological Survey's core

repository. Over the next two years, additional information, such as geologic maps, geophysical logs, and other oil and gas records, will be added to the department's web site.

Mr. McGillivray said the department would like to recognize the 50th anniversary of oil and gas production in South Dakota. He invited the Board of Minerals and Environment to hold a meeting in Buffalo in July or August 2004. In addition to its meeting, the board would tour oil and gas wells in the area and participate in an anniversary celebration.

OIL AND GAS HEARING FOR CASE NO. 1-2004, LUFF EXPLORATION COMPANY:

Chairman Sweetman turned the gavel over to Lee McCahren, whom he had appointed as hearing chairman.

Mr. McCahren opened the hearing at 1:25 p.m. CDT.

Roxanne Giedd, assistant attorney general, represented the Department of Environment and Natural Resources.

John Morrison, attorney from Bismarck, represented Luff Exploration Company. Brett Koenecke, attorney from Pierre, appeared as local counsel for Luff Exploration Company.

Ms. Giedd stated that Lloyd Holecek, Marion, Iowa, submitted a petition to intervene. Mr. Holecek was not present at the hearing.

Ms. Giedd noted that the department also received comment letters from Rosemary and H. Kelly McGreer, Rena and Donald Talbott, and Clair Janvrin, Jr.

Mr. McCahren dismissed Mr. Holecek's petition to intervene because he did not appear at the hearing.

The purpose of the hearing was to consider the application of Luff Exploration Company to amend Order No. 4-2001, which established a horizontal spacing unit comprised of all of Section 19 and the N $\frac{1}{2}$ of Section 30, T23N, R5E, to provide for drilling a grassroots horizontal well. Luff originally requested approval of 500-foot setback requirements, however, Luff has now agreed to leave the setback requirements at 660 feet, as provided by Order No. 4-2001. Luff intends to leave the existing Njos 1-19 vertical well producing, and is requesting that the current spacing unit for this well remain all of Section 19, T23N, R5E.

Richard George, manager of engineering, was administered the oath by Mr. McCahren, and testified on behalf of Luff Exploration Company.

Exhibits offered and admitted into the record for Luff Exploration Company:

Exhibit 1 - General Locator Map

Exhibit 2 - Map showing existing spacing units and today's request

Exhibit 3 - Explanation of Luff Exploration Company's request

Exhibit 4 - Land plat showing the spacing unit

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Exhibit 5 - Ownership information
Exhibit 6 - Structure map
Exhibit 7 - Rate vs. Time curve for Njos 1-19 Stateline
Exhibit 8 - Water cut curve for Njos 1-19 Stateline
Exhibit 9 - Rate vs. Time curve for Ferkingstad 33-20 - "B" - Zone Stateline
Exhibit 10 - Water cut curve for Ferkingstad 33-20 - "B" Zone - Stateline
Exhibit 11 - Status of Njos 1-19 vertical well
Exhibit 12 - Summary of Luff's request for Case No. 1-2004

Fred Steece, DENR oil and gas supervisor, was administered the oath by Mr. McCahren and testified on behalf of the Department of Environment and Natural Resources.

Notice of the public hearing was published on March 10 and 17, 2004, in the Black Hills Pioneer and the Pierre Capital Journal, on March 11 and 17, 2004 in the Rapid City Journal, and on March 11 and 18, 2004, in the Nation's Center News. Affidavits of Publication are on file in the Department of Environment and Natural Resources, Rapid City office.

Following testimony, Hearing Chairman McCahren requested board action.

Motion by DeMersseman, seconded by Johnson, to approve Luff Exploration Company's application for Case No. 1-2004, and to adopt the Findings of Fact, Conclusions of Law, and Order and to authorize Mr. McCahren to execute the Order. Motion carried.

OIL AND GAS HEARING FOR CASE NO. 2-2004, LUFF EXPLORATION COMPANY: Mr. McCahren opened the hearing at 1:50 p.m. CDT.

Roxanne Giedd, assistant attorney general, represented the Department of Environment and Natural Resources.

John Morrison, attorney from Bismarck, represented Luff Exploration Company. Brett Koenecke, attorney from Pierre, appeared as local counsel for Luff Exploration Company.

Max Main, attorney from Belle Fourche, represented the intervenors, Milo and Barb Downing.

The purpose of the hearing was to consider the application of Luff Exploration Company to amend applicable Orders for a new spacing unit to provide for drilling a grassroots (new) horizontal well with multiple laterals, with no portion of the horizontal laterals closer than 500 feet from the spacing unit border. The requested spacing unit consists of two half sections - the N $\frac{1}{2}$ of Section 29 and the N $\frac{1}{2}$ of Section 30, T23N, R5E, in the East Harding Springs Field.

Richard George, manager of engineering, who was still under oath from the previous hearing, testified on behalf of Luff Exploration Company.

Exhibits offered and admitted into the record for Luff Exploration Company:

Exhibit 1 - General Locator Map

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- Exhibit 2 - Map showing requested spacing unit
- Exhibit 3 - Explanation of Luff Exploration Company's request
- Exhibit 4 - Land plat showing the requested spacing unit
- Exhibit 5 - Ownership information
- Exhibit 6 - Structure map
- Exhibit 7 - Rate vs. Time curve for 1-30 Dworshak - Horizontal "B" EHSRRU
- Exhibit 8 - Water cut curve for 1-30 Dworshak - Horizontal "B" EHSRRU
- Exhibit 9 - Table showing spacing units/secondary recovery units larger than 320 acres with 500-foot setbacks
- Exhibit 10 - Luff's requested spacing units optimum for secondary recover as well as primary recovery
- Exhibit 11 - Summary of Luff's request for Case No. 2-2004

Fred Steece, DENR oil and gas supervisor, who was still under oath testified on behalf of the Department of Environment and Natural Resources.

Notice of the public hearing was published on March 10 and 17, 2004, in the Black Hills Pioneer and the Pierre Capital Journal, on March 11 and 17, 2004 in the Rapid City Journal, and on March 11 and 18, 2004, in the Nation's Center News. Affidavits of Publication are on file in the Department of Environment and Natural Resources, Rapid City office.

Clair Jandrin stated that he is against the board approving a 500-foot setback.

Following the testimony and cross-examination by the attorneys, Hearing Chairman McCahren requested board action.

Motion by DeMersseman, seconded by Monson, to approve Luff Exploration Company's application for Case No. 2-2004, and to adopt the Findings of Fact, Conclusions of Law, and Order and to authorize Mr. McCahren to execute the Order. Motion carried.

ORAL REPORTS FROM LARGE-SCALE GOLD MINE OPERATORS: Eric Holm introduced representatives from the large-scale gold mining companies who provided oral presentations of their annual reports to the board.

SouthPoint Resources Ltd., formerly Naneco Minerals - Archie Nesbitt (via telephone)
LAC Minerals - Gene Fuller
Homestake Mining Company - Mark Tieszen
Golden Reward Mining Company - Kim Schultz
Wharf Resources - Kim Schultz

REQUEST PERMISSION TO ADVERTISE REVISIONS TO THE HAZARDOUS WASTE RULES: Carrie Jacobson requested permission to advertise for a public hearing to be held in June 2004 to consider revisions to the hazardous waste regulations (74:28). The board adopts the federal hazardous waste regulations by reference. The rules in this update include the federal regulations codified from July 1, 2002, through June 30, 2003.

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Changes to the rules include establishing criteria for the use of certain materials in the production of zinc fertilizers, the establishment of treatment standards prior to disposing of certain metal-containing wastes, and the correction of technical errors in previously promulgated rules.

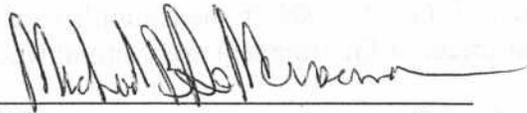
The department will issue a public notice in major newspapers across the state. The public notice will also be sent to the department's interested persons mailing list. The notice will specify the rules being updated and request written and oral comments. The board will conduct a public hearing to consider the rules on June 17, 2004.

Motion by Monson, seconded by McCahren, to authorize the department to advertise for a public hearing on June 17, 2004, to consider adoption of amendments to the Hazardous Waste rules. Motion carried.

OTHER BUSINESS: The next Board of Minerals and Environment meeting is May 19, 20, and 21, 2004, in Mitchell.

ADJOURNMENT: Chairman Sweetman declared the meeting adjourned at 3:50 p.m. CDT.


Secretary _____ Date


Witness _____ Date

ATTENDANCE SHEET

BOARD OF MINERALS AND ENVIRONMENT MEETING

Location Matthew Training Center
Pierre

Date 4-15-04

NAME (PLEASE PRINT)	ADDRESS	REPRESENTING
<u>Richard George</u>	<u>Luff Exploration Co.</u> <u>1580 Lincoln Street</u> <u>Suite 850 Denver, CO 80203</u>	<u>Luff Exploration</u>
<u>John Morrison</u>	<u>Fleck Law Firm, P.A.</u> <u>2748 Bismarck 1105802</u> <u>Pierre</u>	<u>Luff Exploration</u>
<u>Eric Holm</u>	<u>Pierre</u>	<u>DENR</u>
<u>Steve Willard</u>	<u>Box 1037</u> <u>Pierre, SD 57501</u>	<u>API</u>
<u>SHELDON HAMANN</u>	<u>523 E. CAPITOL AVE.</u> <u>PIERRE, S.D.</u>	<u>DENR-GWA-UIC</u>
<u>Mike Cepak</u>	<u>Pierre</u>	<u>DENR - MEM</u>
<u>Mary Jo Jones</u>	<u>Pierre</u>	<u>SPL</u>
<u>FRED STEECE</u>	<u>R.C.</u>	<u>DENR</u>
<u>Brett Koenecke</u>	<u>Pierre</u>	<u>Luff Exploration</u>
<u>Max Main</u>	<u>Belle Fourche</u>	<u>Milo & Barb Downing</u>
<u>Kim Schultz</u>	<u>Lead</u>	<u>Wharf</u>
<u>Gene Fuller</u>	<u>Lead</u>	<u>LAC Minerals</u>
<u>Mark Tieszen</u>	<u>Lead</u>	<u>Homestake Mining Co.</u>
<u>Clair Janvin</u>	<u>HC 63 Box 16</u> <u>Ledlow S.D. 57755</u>	<u>Mineral Owner</u>
<u>JOHN BEGEMAN</u>	<u>LEAD</u>	<u>WHARF RES.</u>
<u>GL (Mack) McIlwray</u>	<u>Rapid City</u>	<u>DENR</u>
<u>Carrie Jacobson</u>	<u>Pierre</u>	<u>DENR</u>

South Dakota Board of Minerals & Environment

April 15, 2004

License/Permit Holder	License Permit	Site No.	Surety Amt.	Surety No.	Surety Company/Bank	DENR Recommendation
Release of Surety:						
Spearfish Excavating, Inc. Spearfish, SD	96-576		\$20,000	55-164588	United Fire & Casualty Company	Release \$20,000.
Release of Liability and Surety:						
Johnson Brothers Excavation Madison, SD	03-760		\$1,500	73872	First National Bank, Pierre	Release liability and \$1,500.
		760001	S1/2 SE1/4 Section 9; T106N-R52W, Lake			
Transfer of Liability and Release of Surety:						
Joel Koustrup Watertown, SD	94-524		\$500	500007752	First Premier Bank, Watertown	Transfer liability and release \$500.
		524001	NW1/4 SE1/4 SE1/4 SE1/4 Section 16; T118N-R51W, Codington			
Transfer to:						
Stromseth Construction Watertown, SD	90-414		\$20,000	5769123	Ohio Farmers Insurance Company	

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License/Permit Holder	License/ Permit	Site No.	Surety Amt. - Surety No.	Surety Company/Bank	DENR Recommendation
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Transfer of Liability and Release of Surety:

Perry Construction Company Presho, SD	00-708		\$3,000	16010	Prairie State Bank, Presho	Transfer liability and release \$3,000.
		708001	SW1/4 Section 19; T103N-R78W, Lyman			
Transfer to:						
Lyman County Highway Department Kennebec, SD	83-215		EXEMPT	NA	NA	

Transfer of Liability and Partial Release of Liability:

Concrete Materials Sioux Falls, SD	83-144		\$20,000	929159555	American Casualty Company of Reading, PA	Transfer liability.
		144009.1	NW1/4 SE1/4, except the North 208.7' of the West 208.7' of the East 712.7' thereof, NE1/4 SW1/4 Section 16; T101N-R50W, Minnehaha			
Transfer to:						
Crusher Investment Company Sioux Falls, SD	83-24		\$20,000	SD 3417	Merchants Bonding Company (Mutual)	

Transfer of Liability:

Leisinger Construction Sioux Falls, SD	98-635		\$2,500	15841	First National Bank, Pierre	Transfer liability.
		635001	NW1/4 Section 9; T101N-R50W, Minnehaha			
Transfer to:						
Runge Enterprises Inc. Sioux Falls, SD	93-506		\$5,000 \$15,000	106032 5211243	US Bank, Sioux Falls Dacotah Bank, Sioux Falls	

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License/Permit Holder	License Permit	Site No.	Surety Amt.	Surety No.	Surety Company/Bank	DENR Recommendation
Transfers of Liability:						
Quinn Construction Inc. Rapid City, SD	95-535		\$20,000	55-173881	United Fire & Casualty Company	Transfer liability.
		535008	NW1/4 Section 11; T8S-R6E, Fall River			
Transfer to:						
Croell Redi-Mix, Inc. Sundance, WY	96-604		\$20,000	SD 3480	Merchants Bonding Company (Mutual)	
Eugene Rumpza Webster, SD	02-745		\$500	25039	Peoples State Bank, Summit	Transfer liability.
		745002	NW1/4 Section 1; T123N-R53W, Day			
Transfer to:						
Webster Scale, Inc. Webster, SD	03-766		\$20,000	BDA 7900610694	AMCO Insurance Company	
Marvin VanderPol Mitchell, SD	83-59		\$25,000	0350 08 069675	Wausau Underwriters Insurance Company	Transfer liability.
		59007	SE1/4 Section 17; T102N-R58W, Hanson			
Transfer to:						
James P. Wenande Trucking Alexandria, SD	93-507		\$500	65314	First National Bank, Pierre	

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License/Permit Holder	License Permit	Site No.	Surety Amt.	Surety No.	Surety Company/Bank	DENR Recommendation
Releases of Liability:						
C & W Enterprises, Inc. Sioux Falls, SD	98-671	671001	\$20,000	08168345	Fidelity & Deposit Company of Maryland	Release liability.
					W1/2 SE1/4 Section 34; T122N-R53W, Day	
Hills Materials Company Rapid City, SD	83-42	42021	\$20,000	14-006-952	Liberty Mutual Insurance Company	Release liability.
					N1/2 Section 23; T8S-R6E, Fall River	
Jennings Construction Company Bancroft, SD	83-192	192004	\$10,000	RC-0006	Sun Surety Insurance Company	Release liability.
					NE1/4 Section 27; T113N-R57W, Clark	
		192010			NW1/4 Section 30; T111N-R58W, Kingsbury	
Stava Gravel Clear Lake, SD	83-185	185005	\$2,500	16980	Deuel County National Bank, Clear Lake	Release liability.
			\$500	26193	Deuel County National Bank, Clear Lake	
					NW1/4 Section 25; T115N-R49W, Deuel	

South Dakota Board of Minerals & Environment

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License/Permit Holder	License Permit	Site No.	Surety Amt.	Surety No.	Surety Company/Bank	DENR Recommendation,
Releases of Liability:						
Marvin VanderPol Mitchell, SD	83-59		\$25,000	0350 08 069675	Wausau Underwriters Insurance Company	Release liability.
		59009	NW1/4 Section 20; T103N-R58W, Hanson			
		59016	SE1/4 Section 31; T104N-R60W, Davison			
Aurora County Highway Department Plankinton, SD	83-87		EXEMPT	NA	NA	Release liability.
		87016	SE1/4 Section 8; T103N-R66W, Aurora			
Davison County Highway Department Mitchell, SD	83-32		EXEMPT	NA	NA	Release liability.
		32010	Section 17; T101N-R60W, Davison			
		32019	SW1/4 Section 2; T104N-R60W, Davison			